

SIGURD TOWN
FINANCIAL STATEMENTS
JUNE 30, 2005

C O N T E N T S

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Council
Sigurd Town
Sigurd, Utah 84657

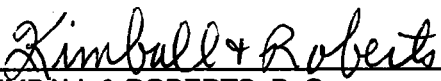
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sigurd Town as of and for the year ended June 30, 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Sigurd Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sigurd Town as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2005, on our consideration of Sigurd Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 40 through 42 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

August 9, 2005
Richfield, Utah

SIGURD TOWN MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion of Sigurd Town's financial performance provided an overview of the Town's financial activities for the year ending June 30, 2005. This report is in conjunction with the Town's financial statements.

The purpose of the Town is to provide general services to its residents which includes general government, public safety, health and welfare, sanitation, streets, park, recreation and public property.

Financial Highlights

- * The assets of Sigurd Town exceeded its liabilities as of the close of the most recent year by \$645,182 (net assets). Of this amount, \$240,185 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- * The government's total net assets increased by \$126,112. The revenues were less than the adopted budgeted amounts, and expenditures were less than the adopted budgeted amounts.
- * At the close of the current year, Sigurd Town's governmental funds reported ending fund balances of \$199,815, an increase of \$61,426 in comparison with the prior year. Approximately 37 percent of this total amount, \$73,204 is available for spending at the government's discretion (unreserved fund balance).
- * At the end of the current year, unreserved fund balance for the general fund was \$73,204, or 83 percent of total general fund expenditures.
- * Sigurd Town's total debt increased by \$90,392 during the current year due to a lease revenue bond issue of \$100,000 for the construction of a new firehouse.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Sigurd Town's basic financial statements. Sigurd Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of Sigurd Town's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of Sigurd Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Sigurd Town is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Sigurd Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of Sigurd Town include general government, public safety, health and welfare, highways and public improvements, parks and recreation and interest on debt. The business-type activity of Sigurd Town is the water fund.

Refer to the table of contents for the location of the government-wide financial statements.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Sigurd Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Sigurd Town can be divided into two categories: governmental funds and enterprise funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balance of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditure, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Sigurd Town adopts an annual appropriated budget for all its governmental funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

Refer to the table of contents for the location of the basic governmental fund financial statements.

Proprietary Funds

Sigurd Town maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Sigurd Town uses an enterprise fund to account for its culinary water operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water fund, which is considered to be a major fund of Sigurd Town.

Refer to the table of contents for the location of the basic proprietary fund financial statements.

Notes To The Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning Sigurd Town.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Sigurd Town, assets exceeded liabilities by \$645,182 at the close of the most recent fiscal year.

By far the largest portion of Sigurd Town's net assets (50 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. Sigurd Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Sigurd Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Sigurd Town's Net Assets

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------|----------------------------|----------------|-----------------------------|----------------|----------------|----------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Current and Other Assets | 203,558 | 125,237 | 132,282 | 151,722 | 335,840 | 276,959 |
| Capital Assets | 436,650 | 258,074 | 103,495 | 112,721 | 540,145 | 370,795 |
| Total Assets | 640,208 | 383,311 | 235,777 | 264,443 | 875,985 | 647,754 |
| Long-Term Liabilities | 103,895 | 6,893 | 101,955 | 118,634 | 205,850 | 125,527 |
| Other Liabilities | 5,263 | 2,761 | 19,690 | 16,309 | 24,953 | 19,070 |
| Total Liabilities | 109,158 | 9,654 | 121,645 | 134,943 | 230,803 | 144,597 |
| Net Assets: | | | | | | |
| Invested in Capital Assets | | | | | | |
| Net of Related Debt | 331,235 | 251,181 | (8,396) | 12,806 | 322,839 | 263,987 |
| Restricted | 67,658 | 56,039 | 14,500 | 14,500 | 82,158 | 70,539 |
| Unrestricted | 132,157 | 66,437 | 108,028 | 102,194 | 240,185 | 168,631 |
| Total Net Assets | 531,050 | 373,657 | 114,132 | 129,500 | 645,182 | 503,157 |

A portion of Sigurd Town's net assets (13 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$240,185) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the year, Sigurd Town is able to report positive balances in all three categories of net assets, for the government as a whole. The business-type activities had a negative investment in capital assets of \$8,396. The other categories had positive balances.

Governmental Activities

Governmental activities increased Sigurd Town's net assets by \$141,480. Key elements of this increase follows:

Sigurd Town's Changes in Net Assets

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------|----------------------------|----------|-----------------------------|---------|---------|----------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | 14,624 | 19,991 | 42,925 | 55,690 | 57,549 | 75,681 |
| Operating Grants | 19,851 | 28,471 | | | | 28,471 |
| Capital Grants | 152,500 | - | - | - | 152,500 | - |
| General Revenues: | | | | | | |
| Property Taxes | 14,964 | 14,438 | - | - | 14,964 | 14,438 |
| Other Taxes | 37,469 | 32,960 | - | - | 37,469 | 32,960 |
| Grants and Contributions | | | | | | |
| Not Restricted by Program | | | | | | |
| Unrestricted Investment | | | | | | |
| Earnings | 4,445 | 1,904 | 2,614 | 1,592 | 7,059 | 3,496 |
| Other | 958 | - | 3,160 | - | 4,118 | - |
| Total Revenues | 244,811 | 97,764 | 48,699 | 57,282 | 273,659 | 155,046 |
| Expenses: | | | | | | |
| General Government | 41,910 | 46,950 | - | - | 41,910 | 46,950 |
| Public Safety | 9,707 | 18,134 | - | - | 9,707 | 18,134 |
| Public Health | 11,617 | 11,813 | - | - | 11,617 | 11,813 |
| Highways and Public | | | | | | |
| Improvements | 32,711 | 26,688 | - | - | 32,711 | 26,688 |
| Parks and Recreation | 7,050 | 8,098 | - | - | 7,050 | 8,098 |
| Interest on Long-Term Debt | 336 | 186 | 4,747 | 6,137 | 5,083 | 6,323 |
| Water Fund | - | - | 59,320 | 48,299 | 59,320 | 48,299 |
| Total Expenses | 103,331 | 111,869 | 64,067 | 54,436 | 167,398 | 166,305 |
| Increase in Net Assets | | | | | | |
| Before Transfers | 141,480 | (14,105) | (15,368) | 2,846 | 106,261 | (11,259) |
| Transfers | - | - | - | - | - | - |
| Increase in Net Assets | 141,480 | (14,105) | (15,368) | 2,846 | 106,261 | (11,259) |
| Net Assets - Beginning | 389,570 | 403,675 | 129,500 | 126,654 | 519,070 | 530,329 |
| Net Assets - Ending | 531,050 | 389,570 | 114,132 | 129,500 | 645,182 | 519,070 |

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-Type Activities

Business-type activities decreased Sigurd Town's net assets by \$15,368.

Financial Analysis of the Government's Funds

As noted earlier, Sigurd Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of Sigurd Town's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing Sigurd Town's financing requirements. In particular *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

The general fund is the chief operating fund of Sigurd Town. At the end of the current year, unreserved fund balance of the general fund was \$73,204, while total fund balance reached \$140,862. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 83 percent of total general fund expenditures, while total fund balance represents 160 percent of that same amount.

Proprietary Funds

Sigurd Town's proprietary fund provides the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net assets of the Water Fund at the end of the year is \$108,028. Other factors concerning the finances of this fund has already been addressed in the discussion of Sigurd Town's business type activities.

General Fund Budgetary Highlights

There were no differences between the original budget and the final amended budget of \$166,878.

Budgeted revenues were more than actual revenues by \$76,364, and actual expenditures were less than budgeted revenues by \$78,837, resulting in an increase in the fund balance of \$2,473.

Capital Asset and Debt Administration

Capital Assets

Sigurd Town's investment in capital assets for its governmental activities as of June 30, 2005 and 2004, were \$436,650 and \$258,074 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment and infrastructure, which includes roads.

Sigurd Town's Capital Assets
(net of depreciation)

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------------------|----------------------------|----------------|-----------------------------|----------------|----------------|----------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Land | 29,595 | 29,595 | - | - | 29,595 | 29,595 |
| Water Rights | - | - | 47,850 | 47,850 | 47,850 | 47,850 |
| Buildings | 142,654 | 147,169 | 14,542 | 15,564 | 157,196 | 162,733 |
| Improvements Other than Buildings | 18,672 | 20,228 | 6,963 | 7,905 | 25,635 | 28,133 |
| Equipment | 28,170 | 37,560 | 34,140 | 41,402 | 62,310 | 78,962 |
| Construction In Progress | 195,344 | - | - | - | 195,344 | - |
| Infrastructure | 22,215 | 23,522 | - | - | 22,215 | 23,522 |
| Total | 436,650 | 258,074 | 103,495 | 112,721 | 540,145 | 370,795 |

Additional information on Sigurd Town's capital assets can be found in the notes to the financial statements.

Long -Term Debt

At June 30, 2005 and 2004, Sigurd Town had total bonded debt outstanding of \$101,778 and 107,009 respectively. The debt represents bonds secured solely by specified revenue sources and general obligation bonds secured by the general revenues of the Town.

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------|----------------------------|--------------|-----------------------------|----------------|----------------|----------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| General Obligation Bonds | | | 19,014 | 19,808 | 19,014 | 19,808 |
| Revenue Bonds | 5,415 | 6,893 | 77,349 | 80,308 | 82,764 | 87,201 |
| Total Bonds | 5,415 | 6,893 | 96,363 | 100,116 | 101,778 | 107,009 |

State statutes limit the amount of general obligation debt a governmental entity may issue to 12 percent of its total fair market value of taxable property in the Town. The current debt limitation for Sigurd Town is approximately \$1,740,000. At year end Sigurd Town had \$19,014 of general obligation debt outstanding.

Additional information on Sigurd Town's long-term debt can be found in the notes of the financial statements.

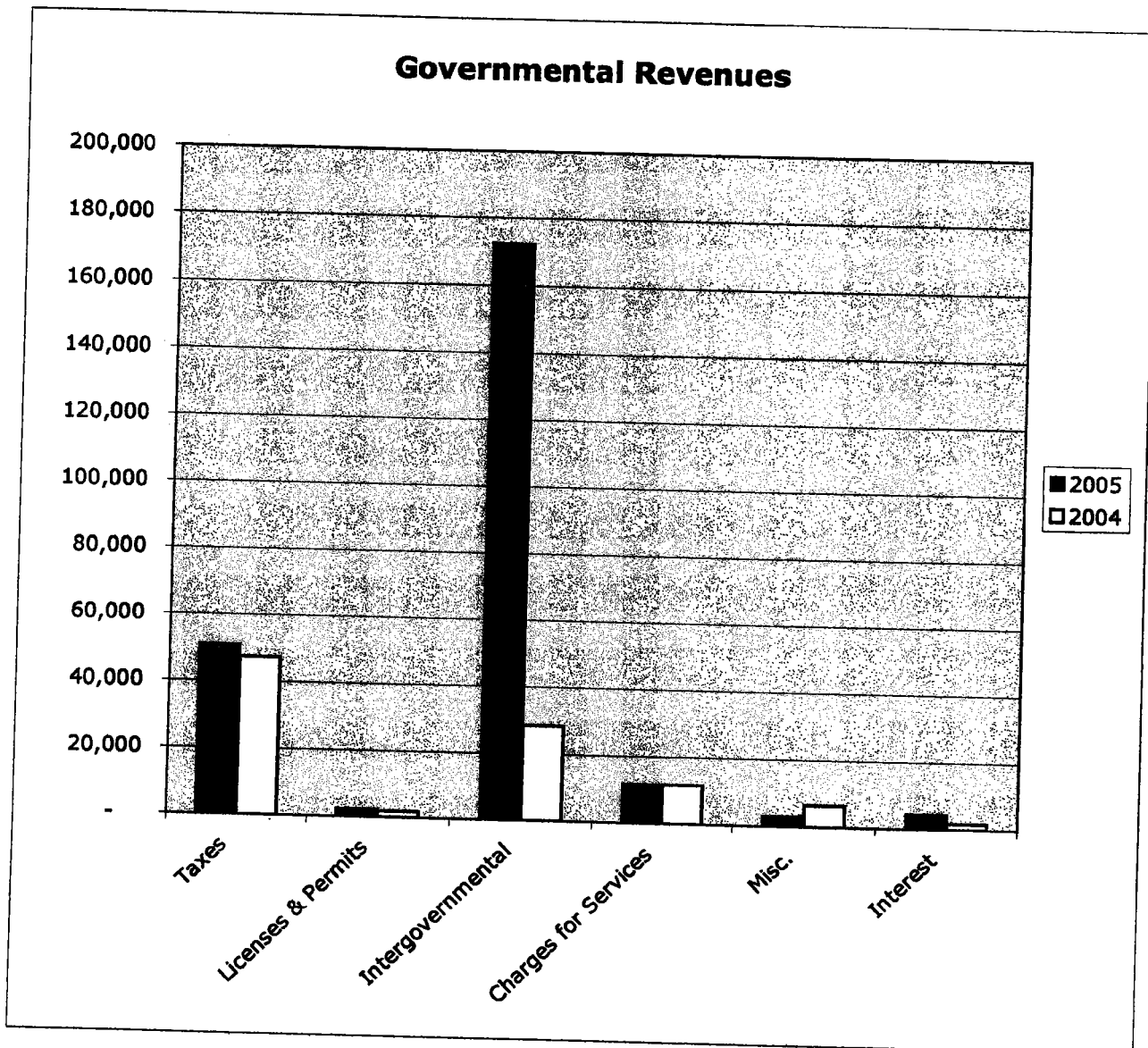
All of these factors were considered in preparing Sigurd Town's budget for 2005 fiscal year.

Request for Information

This financial report is designed to provide a general overview of Sigurd Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Sigurd Town Clerk, P.O. Box 570064, Sigurd, UT 84657.

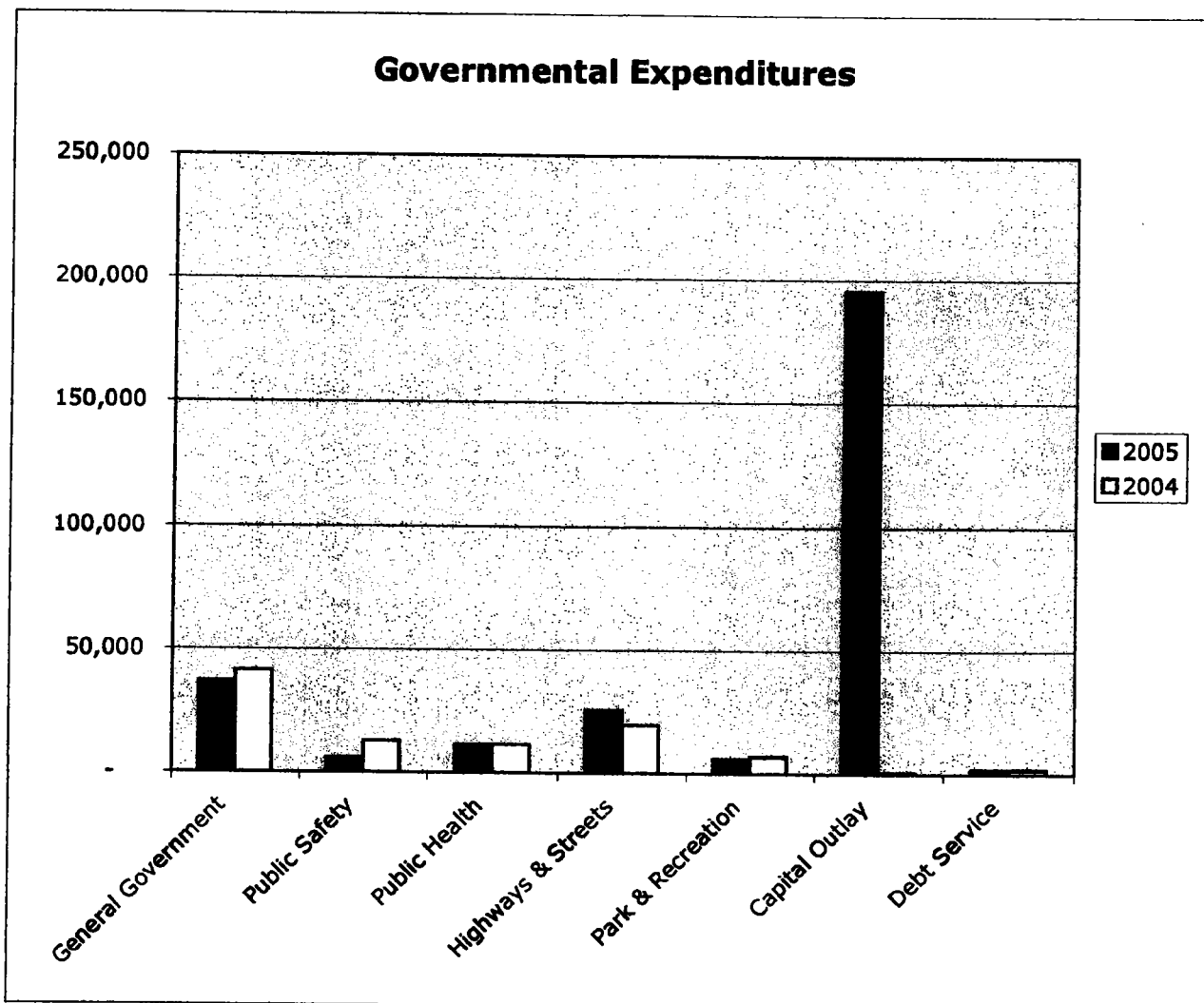
Sigurd Town
Governmental Revenues
For The Fiscal Years Ending June 30, 2005 and 2004

| | 2005 | 2004 |
|-----------------------|----------------|---------------|
| Taxes | 51,041 | 47,398 |
| Licenses & Permits | 2,238 | 1,818 |
| Intergovernmental | 172,351 | 28,471 |
| Charges for Services | 11,740 | 11,725 |
| Misc. | 2,996 | 6,448 |
| Interest | 4,445 | 1,904 |
| Total Revenues | 244,811 | 97,764 |



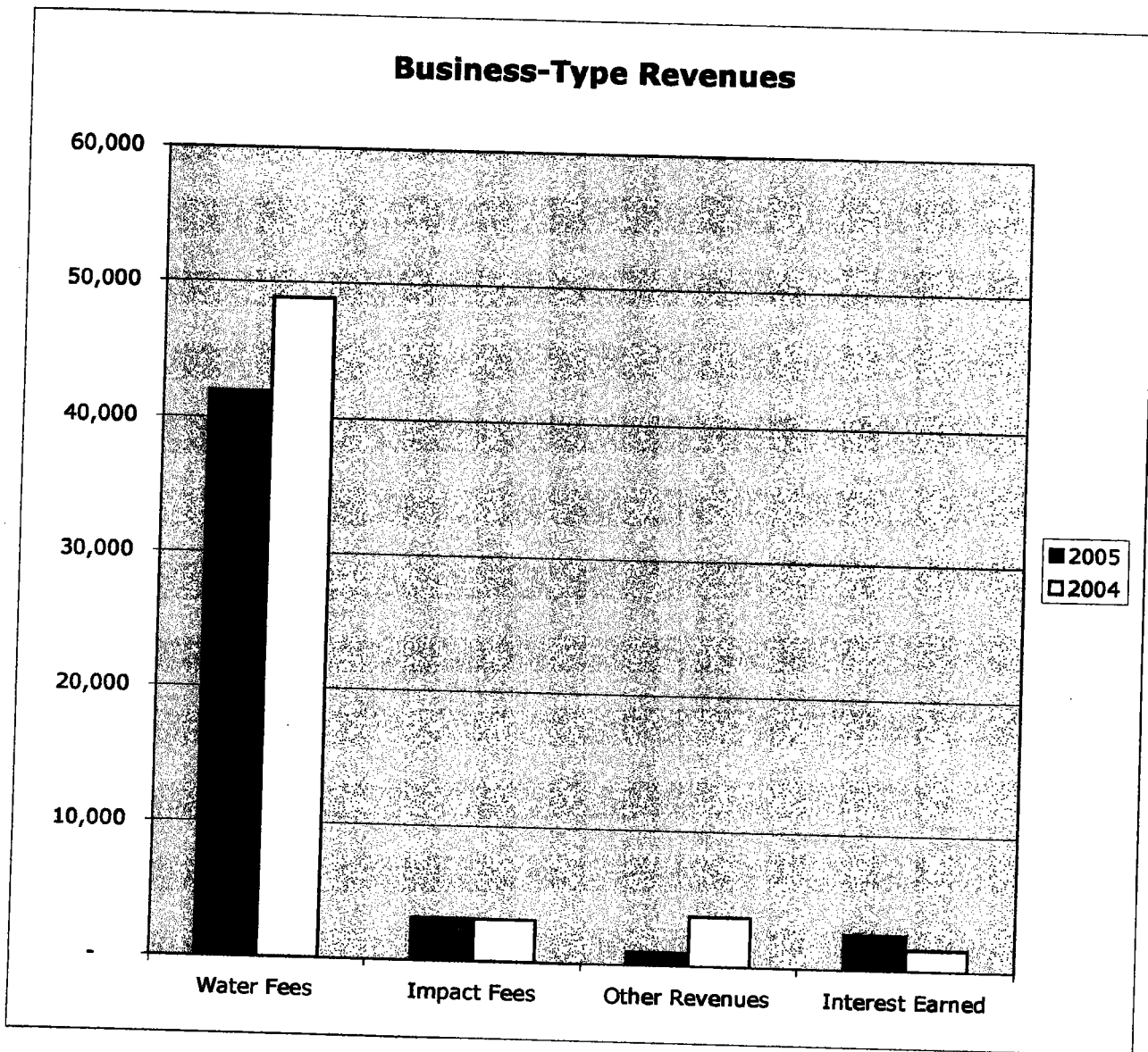
Sigurd Town
Governmental Expenditures
For The Fiscal Years Ending June 30, 2005 and 2004

| | 2005 | 2004 |
|---------------------------|----------------|---------------|
| General Government | 37,025 | 41,467 |
| Public Safety | 6,037 | 12,865 |
| Public Health | 11,617 | 11,813 |
| Highways & Streets | 25,684 | 19,661 |
| Park & Recreation | 5,893 | 6,941 |
| Capital Outlay | 195,344 | 568 |
| Debt Service | 1,785 | 1,785 |
| Total Expenditures | 283,385 | 95,100 |



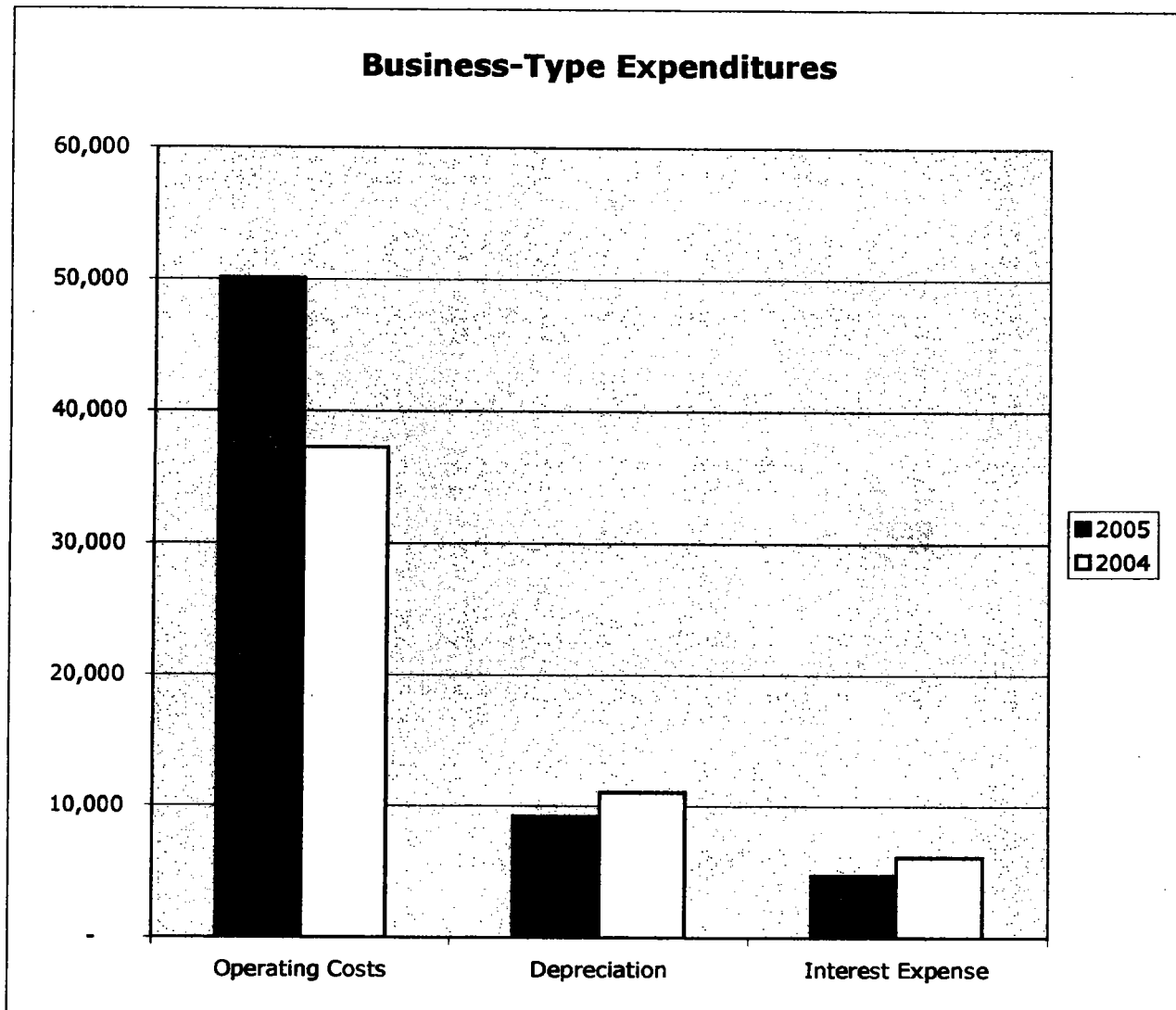
Sigurd Town
Business-Type Revenues
For The Fiscal Years Ending June 30, 2005 and 2004

| | 2005 | 2004 |
|-----------------------|---------------|---------------|
| Water Fees | 41,943 | 48,848 |
| Impact Fees | 3,160 | 3,142 |
| Other Revenues | 982 | 3,700 |
| Interest Earned | 2,614 | 1,592 |
| Total Revenues | 48,699 | 57,282 |



Sigurd Town
Business Type Expenditures
For The Fiscal Years Ending June 30, 2005 and 2004

| | 2005 | 2004 |
|---------------------------|---------------|---------------|
| Operating Costs | 50,094 | 37,243 |
| Depreciation | 9,226 | 11,056 |
| Interest Expense | 4,747 | 6,137 |
| Total Expenditures | 64,067 | 54,436 |



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is used to assist in formatting, for easier reading)

BASIC FINANCIAL STATEMENTS

**SIGURD TOWN
STATEMENT OF NET ASSETS**

June 30, 2005

| | Primary Government | | |
|---|----------------------------|-----------------------------|----------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | 201,608 | 112,474 | 314,082 |
| Accounts Receivable (Net) | 1,950 | 5,308 | 7,258 |
| Total Current Assets | <u>203,558</u> | <u>117,782</u> | <u>321,340</u> |
| Noncurrent Assets: | | | |
| Restricted Cash and Cash Equivalents | - | 14,500 | 14,500 |
| Capital Assets (Net of Accumulated Depreciation): | | | |
| Land | 29,595 | - | 29,595 |
| Water Rights | - | 47,850 | 47,850 |
| Buildings | 142,654 | 14,542 | 157,196 |
| Improvements Other Than Buildings | 18,672 | 6,963 | 25,635 |
| Equipment | 28,170 | 34,140 | 62,310 |
| Construction In Progress | 195,344 | - | 195,344 |
| Infrastructure | 22,215 | - | 22,215 |
| Total Noncurrent Assets | <u>436,650</u> | <u>117,995</u> | <u>554,645</u> |
| TOTAL ASSETS | <u>640,208</u> | <u>235,777</u> | <u>875,985</u> |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts Payable | 2,884 | 1,040 | 3,924 |
| Accrued Liabilities | 859 | - | 859 |
| Customer Deposits | - | 8,714 | 8,714 |
| Bond Interest Payable | - | 1,387 | 1,387 |
| Notes Payable - Due Within One Year | 1,520 | - | 1,520 |
| G. O. Bonds Payable - Due Within One Year | - | 759 | 759 |
| Revenue Bonds Payable - Due Within One Year | - | 3,167 | 3,167 |
| Lease Obligation Payable - Due Within One Year | - | 4,585 | 4,585 |
| Total Current Liabilities | <u>5,263</u> | <u>19,652</u> | <u>24,915</u> |
| Noncurrent Liabilities: | | | |
| Notes Payable - More Than One Year | 3,895 | - | 3,895 |
| G. O. Bonds Payable - More Than One Year | - | 18,255 | 18,255 |
| Revenue Bonds Payable - More Than One Year | 100,000 | 74,182 | 174,182 |
| Lease Obligation Payable - More Than One Year | - | 9,556 | 9,556 |
| Total Noncurrent Liabilities | <u>103,895</u> | <u>101,993</u> | <u>205,888</u> |
| TOTAL LIABILITIES | <u>109,158</u> | <u>121,645</u> | <u>230,803</u> |
| NET ASSETS | | | |
| Investment in Capital Assets, Net of Debt | 331,235 | (8,396) | 322,839 |
| Restricted For: | | | |
| Bond Retirement | - | 14,500 | 14,500 |
| Class C Road | 45,000 | - | 45,000 |
| Impact Fees | 5,786 | - | 5,786 |
| Perpetual Care | 16,872 | - | 16,872 |
| Unrestricted | 132,157 | 108,028 | 240,185 |
| TOTAL NET ASSETS | <u>531,050</u> | <u>114,132</u> | <u>645,182</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>640,208</u> | <u>235,777</u> | <u>875,985</u> |

The notes to the financial statements are an integral part of this statement.

**SIGURD TOWN
STATEMENT OF ACTIVITIES**

For The Fiscal Year Ended June 30, 2005

| Function/Programs | Expenses | Program Revenues | | Net (Expenses) Revenues and Changes in Net Assets | | |
|---|----------------|----------------------|---------------------------------|---|--------------------------|----------------|
| | | Charges for Services | Operating Grants/ Contributions | Primary Government | | Total |
| | | | | Governmental Activities | Business-Type Activities | |
| Governmental Activities: | | | | | | |
| General Government | 41,910 | 2,884 | - | (39,026) | - | (39,026) |
| Public Safety | 9,707 | - | 628 | 143,421 | - | 143,421 |
| Health and Public Welfare | 11,617 | 11,300 | - | (317) | - | (317) |
| Highways and Public Improvements | 32,711 | - | 19,223 | (13,488) | - | (13,488) |
| Park and Recreation | 7,050 | 440 | - | (6,610) | - | (6,610) |
| Interest on Long-Term Debt | 336 | - | - | (336) | (4,747) | (5,083) |
| Total Governmental Activities | 103,331 | 14,624 | 19,851 | 83,644 | (4,747) | 78,897 |
| Business-Type Activities: | | | | | | |
| Water Fund | 59,320 | 42,925 | - | - | (16,395) | (16,395) |
| Total Primary Government | 162,651 | 57,549 | 19,851 | 83,644 | (21,142) | 62,502 |
| General Revenues: | | | | | | |
| Property Taxes | | | | 14,964 | - | 14,964 |
| Fee-In-Lieu of Property Taxes | | | | 3,022 | - | 3,022 |
| Impact Fees | | | | 1,392 | 3,160 | 4,552 |
| Sales Taxes | | | | 33,039 | - | 33,039 |
| Franchise Fees | | | | 16 | - | 16 |
| Perpetual Care | | | | 958 | - | 958 |
| Unrestricted Investment Earnings | | | | 4,445 | 2,614 | 7,059 |
| Total General Revenues and Transfers | | | | 57,836 | 5,774 | 63,610 |
| Change in Net Assets | | | | 141,480 | (15,368) | 126,112 |
| Net Assets - Beginning | | | | 389,570 | 129,500 | 519,070 |
| Net Assets - Ending | | | | 531,050 | 114,132 | 645,182 |

The notes to the financial statements are an integral part of this statement.

**SIGURD TOWN
BALANCE SHEET
GOVERNMENTAL FUNDS**

For The Fiscal Year Ended June 30, 2005

| | General Fund | Capital Improvement Fund | Non-Major Perpetual Care Permanent Fund | Total |
|---|-----------------------|--------------------------------|--|-----------------------|
| ASSETS | | | | |
| Cash and Cash Equivalents | 125,783 | 58,953 | 16,872 | 201,608 |
| Accounts Receivable (Net) | <u>1,950</u> | <u>-</u> | <u>-</u> | <u>1,950</u> |
| TOTAL ASSETS | <u>127,733</u> | <u>58,953</u> | <u>16,872</u> | <u>203,558</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts Payable | 2,884 | - | - | 2,884 |
| Accrued Liabilities | <u>859</u> | <u>-</u> | <u>-</u> | <u>859</u> |
| Total Liabilities | <u>3,743</u> | <u>-</u> | <u>-</u> | <u>3,743</u> |
| Fund Balances: | | | | |
| Reserved For: | | | | |
| Class "C" Road | 45,000 | - | - | 45,000 |
| Impact Fees | 5,786 | - | - | 5,786 |
| Perpetual Care | - | - | 16,872 | 16,872 |
| Capital Outlay | - | 58,953 | - | 58,953 |
| Unreserved, Reported In: | | | | |
| General Fund | <u>73,204</u> | <u>-</u> | <u>-</u> | <u>73,204</u> |
| Total Fund Balance | <u>123,990</u> | <u>58,953</u> | <u>16,872</u> | <u>199,815</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>127,733</u> | <u>58,953</u> | <u>16,872</u> | <u>203,558</u> |

The notes to the financial statements are an integral part of this statement.

SIGURD TOWN
BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS

June 30, 2005

| | |
|---|---------|
| Total Fund Balances - Governmental Fund Types | 199,815 |
|---|---------|

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

| | | |
|--------------------------|----------------|--|
| Land | 29,595 | |
| Buildings | 142,654 | |
| Improvements | 18,672 | |
| Equipment | 28,170 | |
| Infrastructure | 22,215 | |
| Construction In Progress | <u>195,344</u> | |

| | | |
|-------|--|---------|
| Total | | 436,650 |
|-------|--|---------|

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:

| | | |
|-----------------------|----------------|--|
| Revenue Bonds Payable | (100,000) | |
| Notes Payable | <u>(5,415)</u> | |

| | | |
|-------|--|------------------|
| Total | | <u>(105,415)</u> |
|-------|--|------------------|

| | |
|-------------------------------------|-----------------------|
| Net Assets of Government Activities | <u><u>531,050</u></u> |
|-------------------------------------|-----------------------|

SIGURD TOWN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For The Fiscal Year Ended June 30, 2005

| | General Fund | Capital Improvement Fund | Non-Major Perpetual Care Permanent Fund | Total |
|--|-----------------|--------------------------------|--|-----------------|
| Revenues: | | | | |
| Taxes | 51,041 | - | - | 51,041 |
| Licenses and Permits | 2,238 | - | - | 2,238 |
| Intergovernmental Revenue | 19,851 | 152,500 | - | 172,351 |
| Charges for Services | 11,740 | - | - | 11,740 |
| Perpetual Care | - | - | 959 | 959 |
| Interest | 2,648 | 1,797 | - | 4,445 |
| Miscellaneous Revenues | 2,037 | - | - | 2,037 |
| Total Revenues | 89,555 | 154,297 | 959 | 244,811 |
| Expenditures: | | | | |
| Current: | | | | |
| General Government | 37,025 | - | - | 37,025 |
| Public Safety | 6,037 | - | - | 6,037 |
| Health and Public Welfare | 11,617 | - | - | 11,617 |
| Highways and Public Improvements | 25,684 | - | - | 25,684 |
| Parks and Recreation | 5,893 | - | - | 5,893 |
| Capital Outlay | - | 195,344 | - | 195,344 |
| Debt Service: | | | | |
| Principal | 1,449 | - | - | 1,449 |
| Interest | 336 | - | - | 336 |
| Total Expenditures | 88,041 | 195,344 | - | 283,385 |
| Excess Revenues Over (Under) Expenditures | 1,514 | (41,047) | 959 | (38,574) |
| Other Financing Sources (Uses): | | | | |
| Bond Proceeds | - | 100,000 | - | 100,000 |
| Net Change In Fund Balance | 1,514 | 58,953 | 959 | 61,426 |
| Fund Balance - Beginning | 122,476 | - | 15,913 | 138,389 |
| Fund Balance - Ending | 123,990 | 58,953 | 16,872 | 199,815 |

The notes to the financial statements are an integral part of this statement.

SIGURD TOWN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For The Fiscal Year Ended June 30, 2005

Amounts reported for governmental activities in the statement of activities are different because:

| | |
|---|--------|
| Net Changes in Fund Balances - Total Governmental Funds | 61,426 |
|---|--------|

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

| | | |
|----------------------|-----------------|---------|
| Capital Outlay | 195,344 | |
| Depreciation Expense | <u>(16,768)</u> | |
| Total | | 178,576 |

The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items:

| | | |
|-----------------------------|--------------|----------|
| Bond Proceeds | (100,000) | |
| Principal Payments on Bonds | <u>1,449</u> | |
| Total | | (98,551) |

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

| | |
|----------------|-----------|
| Other Expenses | <u>29</u> |
|----------------|-----------|

| | |
|--|-----------------------|
| Changes In Net Assets of Governmental Activities | <u><u>141,480</u></u> |
|--|-----------------------|

**SIGURD TOWN
STATEMENT OF NET ASSETS
PROPRIETARY FUND**

June 30, 2005

| | Business-Type Activity Enterprise Fund |
|---|--|
| | <u>Water Fund</u> |
| ASSETS: | |
| Current Assets: | |
| Cash and Cash Equivalents | 112,474 |
| Accounts Receivable | <u>5,308</u> |
| Total Current Assets | <u>117,782</u> |
| Noncurrent Assets: | |
| Investments - Restricted: | |
| Bond Reserves | 14,500 |
| Capital Assets: (Net of Accumulated Depreciation) | |
| Buildings | 14,542 |
| Water Rights | 47,850 |
| Improvements Other Than Buildings | 6,963 |
| Equipment | <u>34,140</u> |
| Total Noncurrent Assets | <u>117,995</u> |
| TOTAL ASSETS | <u><u>235,777</u></u> |
| LIABILITIES: | |
| Current Liabilities: | |
| Accounts Payable | 1,040 |
| Customer Deposits | 8,714 |
| Bond Interest Payable | 1,387 |
| Bonds Payable - Current Portion | <u>8,549</u> |
| Total Current Liabilities | <u>19,690</u> |
| Noncurrent Liabilities: | |
| Bonds Payable - Long-Term Portion | <u>101,955</u> |
| TOTAL LIABILITIES | <u>121,645</u> |
| NET ASSETS: | |
| Invested in Capital Assets, Net of Related Debt | (8,396) |
| Restricted for Bond Reserves | 14,500 |
| Unrestricted | <u>108,028</u> |
| TOTAL NET ASSETS | <u>114,132</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>235,777</u></u> |

The notes to the financial statements are an integral part of this statement.

SIGURD TOWN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND

June 30, 2005

| | Business-Type Activity <u>Enterprise Fund</u> |
|--|---|
| | <u>Water Fund</u> |
| Operating Revenues: | |
| Charges for Sales and Services: | |
| Water Fees | <u>41,943</u> |
| Operating Expenses: | |
| Costs of Sales and Services | 50,094 |
| Depreciation | <u>9,226</u> |
| Total Operating Expenses | <u>59,320</u> |
| Operating Income | <u>(17,377)</u> |
| Nonoperating Revenues (Expenses): | |
| Investment Earnings | 2,614 |
| Impact Fees | 3,160 |
| Other Revenue (Expense) | 982 |
| Interest Expense | <u>(4,747)</u> |
| Total Nonoperating Revenues (Expenses) | <u>2,009</u> |
| Change in Net Assets | (15,368) |
| Total Net Assets - Beginning | <u>129,500</u> |
| Total Net Assets - Ending | <u><u>114,132</u></u> |

The notes to the financial statements are an integral part of this statement.

**SIGURD TOWN
STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

June 30, 2005

| | Business-Type Activity Enterprise Fund |
|--|--|
| | <u>Water Fund</u> |
| Cash Flows From Operating Activities: | |
| Receipts From Customers | 44,479 |
| Payments to Suppliers | (49,252) |
| Payments to Employees | (6,010) |
| | <u>(10,783)</u> |
| Net Cash Provided by Operating Activities | |
| Cash Flows From Capital and Related Financing Activities: | |
| Principal Paid on Capital Debt | (8,130) |
| Interest Paid on Capital Debt | (4,747) |
| | <u>(12,877)</u> |
| Net Cash Provided (Used) by Capital and Related Financing Activities | |
| Cash Flows from Investing Activities: | |
| Interest Received | 2,614 |
| Proceeds From Capital Lease | 3,160 |
| Other Revenues | 982 |
| | <u>6,756</u> |
| Net Cash Provided (Used) by Investing Activities | |
| | (16,904) |
| Net Increase (Decrease) in Cash and Cash Equivalents | |
| | <u>143,878</u> |
| Cash and Cash Equivalents - Beginning | |
| | <u>126,974</u> |
| Cash and Cash Equivalents - Ending | |
| Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities: | |
| Operating Income | (17,377) |
| Adjustments to Reconcile Operating Income to Net Cash Provided | |
| Provided (Used) By Operating Activities: | |
| Depreciation | 9,226 |
| Increase (Decrease) in Operating Assets: | |
| Accounts Receivable | 2,536 |
| Accounts Payable | (6,164) |
| Accrued Interest Payable | (209) |
| Accrued Liabilities | 1,205 |
| | <u>6,594</u> |
| Total Adjustments | |
| Net Cash Provided (Used) by Operating Activities | <u>(10,783)</u> |

The notes to the financial statements are an integral part of this statement.

SIGURD TOWN
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Sigurd Town conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

The accompanying basic financial statements present the financial position of various fund types and the results of operations of the various fund types. The basic financial statements are presented for the year ended June 30, 2005.

The following is a summary of the more significant policies:

A. Reporting Entity

Sigurd Town is a municipal corporation in Sevier County, Utah. It is governed by an elected Mayor and a four member board. As required by generally accepted accounting principles, these financial statements are of the primary government, Sigurd Town, the reporting entity. The Town has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., statement of net assets and statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The General Fund is the only governmental fund.

SIGURD TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Sigurd Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Improvement Fund account for the acquisition of fixed assets or construction of major capital improvements not being financed by proprietary or nonexpendable trust funds.

The government also reports the following non-major governmental fund:

The Perpetual Care Permanent Fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the cemetery.

The Government reports the following Proprietary Funds:

The Water Fund accounts for the activities of the Town's water operation. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water fund are charges to customers for water used. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

SIGURD TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

SIGURD TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

| | |
|--------------|---------------|
| Water System | 20 - 40 Years |
| Buildings | 20 Years |
| Equipment | 7 - 10 Years |

Long-Term Obligations:

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

E. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Budgets and Budgetary Accounting:

The governing body of the entity shall establish the time and place of the public hearing to consider the adoption of the budget and shall publish notice of the hearing at least seven days prior to the hearing (no time period given for towns) in at least one issue of the newspaper of general circulation published within the County in which the entity is located. If no such newspaper is published, the required notice may be posted in three public places within the entity's jurisdiction.

**SIGURD TOWN
NOTES TO FINANCIAL STATEMENTS**

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The tentative budget must be made available to the public for inspection for a number of days, as provided by law, prior to the budget hearing.

1. On or before the first regularly scheduled meeting of the Town Council in the month of May, the mayor prepares a tentative budget for the next budget year.
2. After a public notice has been published, a public hearing is then held on the adoption of the budget.
3. After the public hearing, the Town Council makes final adjustments to the tentative budget.
4. On or before June 22, the Town Council adopts the budget by resolution or ordinance and sets the tax rate for taxes.
5. The budget officer may transfer unexpended budgeted amounts within departments.
6. The Town Council may transfer unexpended budgeted amounts from one department in a fund to another department in the same fund by resolution.
7. The total budget appropriation of any governmental fund may be increased only after a public hearing has been held and followed by resolution of the Town Council.
8. Proprietary Fund budgets may be increased without a public hearing by resolution of the Town Council.
9. Budgets for the General fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

The appropriated budget is prepared by fund, function and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the governing council. The legal level of budgetary control is the department level.

The Fiscal Procedures Act for Utah Towns require local municipalities to restrict expenditures to authorized departmental budgets. The combined statement of revenues, expenditures and changes in fund balance - budget and actual identifies the departments and funds which have overexpended budgeted amounts if any and, therefore, do not comply with appropriate fiscal procedures.

**SIGURD TOWN
NOTES TO FINANCIAL STATEMENTS**

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Property Tax Calendar:

- | | |
|-------------|--|
| January 1 | Lien Date - All property appraised based upon situs and status as of this date (real and personal). |
| March 1 | Calendar year taxing entities must inform the County of the date, time and place of the budget hearing for the next fiscal year for inclusion with tax notice. |
| June 22 | All taxing entities to adopt tentative budgets and proposed tax rates and report them to the county auditor. |
| July 22 | County auditor to prepare and mail Notice of Valuation and Tax Changes to all real property owners, including centrally assessed property owners or in the event that Notices of Valuation and Tax Changes are not required, the county auditor is to compute taxes and the county treasurer is to mail tax notices. |
| September 1 | State Tax Commission approves tax rates. |
| November 1 | County auditor is to deliver the equalized assessment roll to the county treasurer with affidavit. |
| November 1 | County auditor to charge the county treasurer to account for all taxes levied. |
| November 1 | County treasurer to mail tax notices. Tax notices for calendar year entities include notice of budget hearings. |
| November 30 | Taxes on real property become delinquent. |

NOTE 2 - DEPOSITS AND INVESTMENTS

The Town maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed in the combined balance sheet as "Cash and Cash Equivalents".

Deposits:

At year-end, the carrying amount of the Town's deposits was \$43,951 and the bank balance was \$65,963. All of the bank balance was covered by federal depository insurance. Utah State statutes do not require deposits to be collateralized, however, financial institutions must be approved by the State Money Management Council.

Investments:

Statutes authorize the Town to invest in obligations of the U. S. Treasury, agencies, and instrumentalities, commercial paper rated A-1 by Standards & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, and the state treasurer's investment pool. The Town is also authorized to enter into reverse repurchase agreements.

**SIGURD TOWN
NOTES TO FINANCIAL STATEMENTS**

June 30, 2005

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

The Town's investments are categorized below to give an indication of the risk assumed by the Town at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Town in the Town's name, and includes deposits collateralized by securities held by the Town in the Town's name. Category 2 includes uninsured and unregistered investments for which the investments are held by a broker or dealer in the Town's name, and includes deposits collateralized by securities held by the pledging institution in the Town's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer but not in the Town's name, and includes deposits not insured or collateralized.

Investments at June 30, 2005, consisted of the following:

| | <u>Category 1</u> | <u>Category 2</u> | <u>Category 3</u> | <u>Fair Value/ Carrying Amount</u> |
|-----------------------------------|-------------------|-------------------|-------------------|--|
| Investments | <u>-</u> | <u>-</u> | <u>-</u> | - |
| Other Items: | | | | |
| State Treasurer's Investment Pool | | | | <u>284,631</u> |
| Total | | | | <u>284,631</u> |

The Utah Public Treasurer's Investment Fund is an external deposit and investment pool wherein governmental entities are able to pool the monies from several entities to improve investment efficiency and yield. These monies are invested primarily in money market securities and contain no withdrawal restrictions. As such, the monies invested in this fund are not insured and are subject to the same market risks as any similar investment in money market funds.

Cash is reflected in the financial statements as follows:

| | |
|--------------------------|----------------|
| Governmental Activities | 201,608 |
| Business-Type Activities | <u>126,974</u> |
| Total | <u>328,582</u> |

NOTE 3 - BOND RESERVES

The Sigurd Town is required to deposit into three reserve funds in connection with bond issues:

| | |
|--|---------------|
| 1. Water Bond Reserve Fund - \$250 per year to a maximum of \$2,500. Fully Funded. | 2,500 |
| 2. Water Emergency Repair and Replacement Reserve - \$100 per month to a maximum of \$5,000. Fully Funded. | 5,000 |
| 3. Reserve Account - \$50 per month to a maximum of \$7,000. Fully Funded. | <u>7,000</u> |
| Total | <u>14,500</u> |

SIGURD TOWN
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 4 - WATER SHARES

During the 2000-2001 fiscal year the Town purchased 10 shares of underground water rights for \$47,850. These water rights are shown on the balance at their cost of \$47,850.

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2005, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|---|------------------------------|------------------|------------------|---------------------------|
| Governmental Activities: | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | 29,595 | - | - | 29,595 |
| Construction In Progress | - | 195,344 | - | 195,344 |
| Total Capital Assets Not Being Depreciated | <u>29,595</u> | <u>195,344</u> | <u>-</u> | <u>224,939</u> |
| Capital Assets Being Depreciated: | | | | |
| Buildings | 177,550 | - | - | 177,550 |
| Paved Roads | 26,136 | - | - | 26,136 |
| Improvements Other Than Buildings | 31,120 | - | - | 31,120 |
| Machinery and Equipment | 93,900 | - | - | 93,900 |
| Total Capital Assets Being Depreciated | <u>328,706</u> | <u>-</u> | <u>-</u> | <u>328,706</u> |
| Less Accumulated Depreciation For: | | | | |
| Buildings | (30,381) | (4,515) | - | (34,896) |
| Paved Roads | (2,614) | (1,307) | - | (3,921) |
| Improvements Other Than Buildings | (10,892) | (1,556) | - | (12,448) |
| Machinery and Equipment | (56,340) | (9,390) | - | (65,730) |
| Total Accumulated Depreciation | <u>(100,227)</u> | <u>(16,768)</u> | <u>-</u> | <u>(116,995)</u> |
| Total Capital Assets Being Depreciated (Net) | <u>228,479</u> | <u>(16,768)</u> | <u>-</u> | <u>211,711</u> |
| Governmental Activities Capital Assets, Net | <u>258,074</u> | <u>178,576</u> | <u>-</u> | <u>436,650</u> |

SIGURD TOWN
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 5 - CAPITAL ASSETS (CONTINUED)

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|---|------------------------------|-----------------------|------------------|---------------------------|
| Business Type Activities: | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Underground Water Rights | 47,850 | - | - | 47,850 |
| Total Capital Assets Not Being Depreciated | <u>47,850</u> | <u>-</u> | <u>-</u> | <u>47,850</u> |
| Capital Assets Being Depreciated: | | | | |
| Buildings | 20,433 | - | - | 20,433 |
| Water System | 387,625 | - | - | 387,625 |
| Improvements Other Than Buildings | 108,874 | - | - | 108,874 |
| Machinery and Equipment | 66,261 | - | - | 66,261 |
| Total Capital Assets Being Depreciated | <u>583,193</u> | <u>-</u> | <u>-</u> | <u>583,193</u> |
| Less Accumulated Depreciation For: | | | | |
| Buildings | (4,870) | (1,022) | - | (5,892) |
| Water System | (381,667) | (112) | - | (381,779) |
| Improvements Other Than Buildings | (106,926) | (830) | - | (107,756) |
| Equipment | (24,859) | (7,262) | - | (32,121) |
| Total Accumulated Depreciation | <u>(518,322)</u> | <u>(9,226)</u> | <u>-</u> | <u>(527,548)</u> |
| Total Capital Assets Being Depreciated (Net) | <u>64,871</u> | <u>(9,226)</u> | <u>-</u> | <u>55,645</u> |
| Business Type Activities Capital Assets, Net | <u>112,721</u> | <u>(9,226)</u> | <u>-</u> | <u>103,495</u> |
| Total Capital Assets | <u><u>370,795</u></u> | <u><u>169,350</u></u> | <u><u>-</u></u> | <u><u>540,145</u></u> |

SIGURD TOWN
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 5 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions of the Primary Government as follows:

| | <u>Governmental Activities</u> | <u>Business Type Activities</u> | <u>Total</u> |
|----------------------------------|------------------------------------|-------------------------------------|---------------|
| General Government | 4,914 | - | 4,914 |
| Public Safety | 3,670 | - | 3,670 |
| Health and Public Welfare | - | 9,226 | 9,226 |
| Highways and Public Improvements | 7,027 | - | 7,027 |
| Parks and Recreation | 1,157 | - | 1,157 |
| | <u>16,768</u> | <u>9,226</u> | <u>25,994</u> |
| Total Depreciation Expense | | | |

NOTE 6 - LONG-TERM DEBT

General Obligation Bonds - Water:

In 1982, the Town issued a General Obligation Bonds in the amount of \$30,000. The bond requires annual payments with interest at the rate of 5%.

The following is a summary of debt service charges to maturity:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|------------------|-----------------|---------------|
| 2005-2006 | 797 | 952 | 1,749 |
| 2006-2007 | 836 | 913 | 1,749 |
| 2007-2008 | 878 | 871 | 1,749 |
| 2008-2009 | 922 | 827 | 1,749 |
| 2009-2010 | 968 | 781 | 1,749 |
| 2011-2015 | 5,618 | 3,127 | 8,745 |
| 2016-2020 | 7,170 | 1,575 | 8,745 |
| 2021-2025 | 1,825 | 93 | 1,918 |
| | <u>19,014</u> | <u>9,139</u> | <u>28,153</u> |

Water Revenue Bond:

In 1982, the Town issued a Water Revenue Bonds in the amount of \$120,000. The bond requires yearly payments with interest at the rate of 5%.

**SIGURD TOWN
NOTES TO FINANCIAL STATEMENTS**

June 30, 2005

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The following is a summary of debt service charges to maturity:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|------------------|-----------------|----------------|
| 2005-2006 | 3,167 | 3,793 | 6,960 |
| 2006-2007 | 3,329 | 3,631 | 6,960 |
| 2007-2008 | 3,500 | 3,460 | 6,960 |
| 2008-2009 | 3,679 | 3,281 | 6,960 |
| 2009-2010 | 3,867 | 3,093 | 6,960 |
| 2011-2015 | 22,512 | 12,288 | 34,800 |
| 2016-2020 | 28,891 | 5,909 | 34,800 |
| 2021-2025 | 8,404 | 277 | 8,681 |
| | <u>77,349</u> | <u>35,732</u> | <u>113,081</u> |

2004 Municipal Building Authority Bonds:

In December of 2004 the Town authorized a \$152,500 grant and a \$100,000 loan to the Municipal Building Authority of Sigurd Town for the construction of a new 3-bay 4,800 square foot fire station. The loan is evidenced by a lease revenue bond to be issued by the issuer and purchased by the Community Impact Board. The terms of the bond require 20 yearly payments of \$5,000 beginning January 1, 2007 with no interest.

The following is a summary of debt service payments to maturity:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|------------------|-----------------|----------------|
| 2005-2006 | - | - | - |
| 2006-2007 | 5,000 | - | 5,000 |
| 2007-2008 | 5,000 | - | 5,000 |
| 2008-2009 | 5,000 | - | 5,000 |
| 2009-2010 | 5,000 | - | 5,000 |
| 2011-2015 | 25,000 | - | 25,000 |
| 2016-2020 | 25,000 | - | 25,000 |
| 2021-2025 | 30,000 | - | 30,000 |
| | <u>100,000</u> | <u>-</u> | <u>100,000</u> |

**SIGURD TOWN
NOTES TO FINANCIAL STATEMENTS**

June 30, 2005

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Notes Payable:

On January 21, 1998, the Town issued a Public Safety Revenue Bond in the amount of \$18,680 for the partial financing of a fire engine for the Town. The bond requires payments of \$1,785 per year for 15 years with interest at the rate of 4.875%. Payments began January 21, 1999.

The following is a summary of debt service charges to maturity:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|------------------|-----------------|--------------|
| 2005-2006 | 1,520 | 265 | 1,785 |
| 2006-2007 | 1,594 | 191 | 1,785 |
| 2007-2008 | 1,671 | 114 | 1,785 |
| 2008-2009 | 630 | 61 | 691 |
| | <u>5,415</u> | <u>631</u> | <u>6,046</u> |

In 2003, the Town issued a Note in the amount of \$120,000. The note requires yearly payments with interest at the rate of 4.75%.

The following is a summary of debt service charges to maturity:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|------------------|-----------------|---------------|
| 2005-2006 | 4,585 | 672 | 5,257 |
| 2006-2007 | 4,803 | 454 | 5,257 |
| 2007-2008 | 4,753 | 226 | 4,979 |
| | <u>14,141</u> | <u>1,352</u> | <u>15,493</u> |

The following is a summary of total long-term debt to maturity:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|------------------|-----------------|----------------|
| 2004-2005 | 9,598 | 6,152 | 15,750 |
| 2005-2006 | 10,069 | 5,682 | 15,751 |
| 2006-2007 | 10,562 | 5,189 | 15,751 |
| 2007-2008 | 10,802 | 4,671 | 15,473 |
| 2008-2009 | 5,260 | 4,140 | 9,400 |
| 2010-2014 | 26,766 | 16,779 | 43,545 |
| 2015-2019 | 34,313 | 9,232 | 43,545 |
| 2020-2024 | 18,157 | 1,133 | 19,290 |
| | <u>125,527</u> | <u>52,978</u> | <u>178,505</u> |

SIGURD TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Long-term debt at June 30, 2005, are comprised of the following individual bonds and notes:

| | Date of Issue | Interest Rate | Total Issued | Outstanding June 30, 2004 | Current Year Changes | | Outstanding June 30, 2005 |
|------------------------------|------------------|------------------|-----------------|---------------------------------|----------------------|---------|---------------------------------|
| | | | | | Issued | Matured | |
| Proprietary Fund: | | | | | | | |
| Bond Issues: | | | | | | | |
| General Obligation Bonds FHA | 1982 | 5% | 30,000 | 19,808 | - | 794 | 19,014 |
| Water Revenue Bonds FHA | 1982 | 5% | 120,000 | 80,308 | - | 2,959 | 77,349 |
| Total Bonds Payable | | | 150,000 | 100,116 | - | 3,753 | 96,363 |
| Note Payable: | | | | | | | |
| Note Payable - Case Credit | 2003 | 4.75% | 120,000 | 18,518 | - | 4,377 | 14,141 |
| Total Proprietary Fund | | | 270,000 | 118,634 | - | 8,130 | 110,504 |
| Government Fund: | | | | | | | |
| Bond Issue: | | | | | | | |
| MBA Lease Revenue Bonds | 2004 | 0% | 100,000 | - | 100,000 | - | 100,000 |
| Note Payable: | | | | | | | |
| Note Payable - FHA | 1998 | 4.88% | 18,680 | 6,893 | - | 1,478 | 5,415 |
| Total Governmental Fund | | | 118,680 | 6,893 | 100,000 | 1,478 | 105,415 |
| Total Government Wide | | | 388,680 | 125,527 | 100,000 | 9,608 | 215,919 |

**SIGURD TOWN
NOTES TO FINANCIAL STATEMENTS**

June 30, 2005

NOTE 7 - MUNICIPAL BUILDING AUTHORITY

On January 5, 2005, a resolution was adopted by the Town to authorize and approve the creation of the Municipal Building Authority of Sigurd Town for the purpose of accomplishing the public purposes for which the Town exists by acquiring, improving or extending one or more projects, as defined in the Municipal Building Authority Act of the Utah State Code, and financing their costs of behalf of the Town. The Trustees of the Municipal Building Authority are the Mayor and Town Board. The Municipal Building Authority is treated as a blended component unit of Sigurd Town for reporting purposes.

NOTE 8 - CLASS "C" ROADS - RESERVED FUND BALANCE

The following is a schedule of receipts and disbursements in Class "C" Roads:

| | |
|-----------------------------|----------------------|
| Balance - Beginning of Year | 48,000 |
| Receipts: | |
| State of Utah | 19,223 |
| Interest | <u>818</u> |
| Total Receipts | 20,041 |
| Disbursements | <u>(23,041)</u> |
| Balance - End of Year | <u><u>45,000</u></u> |

NOTE 9 - PERPETUAL CARE FUND

The following is a schedule of receipts and disbursements in the Perpetual Care Fund:

| | |
|--|-----------------------|
| | <u>Perpetual Care</u> |
| Balance - Beginning of Year | 15,913 |
| Receipts: | |
| Sale of Cemetery Perpetual Care Certificates | 959 |
| Disbursements | <u>-</u> |
| Balance - End of Year | <u><u>16,872</u></u> |

SIGURD TOWN
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 10 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains a general liability policy of \$2,000,000 and an automobile policy through St. Paul Fire and Marine Insurance Company. The Town carries a policy with St. Paul for property and casualty in an amount sufficient to cover the assets of the Town. A policy for crime is carried through Old Republic in an amount sufficient to meet State law. The Town does not provide coverage for all risks and hazards, however, the Town has obtained coverage for employee accidental death and dismemberment and workers compensation through other commercial carriers.

Claims have not exceeded coverage in any of the last three fiscal years.

NOTE 11 - UTAH STATE RETIREMENT PLANS

The Town of Sigurd does not participate in the Utah State Retirement Plan or any other retirement fund.

(This page contains no information and
is used to assist in formatting, for easier reading)

**REQUIRED SUPPLEMENTARY
INFORMATION
"UNAUDITED"**

**SIGURD TOWN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2005

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts (Budgetary Basis) (See Note A)</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|--------------------------------------|-------------------------|----------------|--|---|
| | <u>Original</u> | <u>Final</u> | | |
| Budgetary Fund Balance, July 1, 2004 | <u>122,476</u> | <u>122,476</u> | <u>122,476</u> | <u>-</u> |
| Resources (Inflows): | | | | |
| Taxes: | | | | |
| Property Taxes | 13,600 | 13,600 | 14,227 | 627 |
| Prior Years Taxes | 1,000 | 1,000 | 737 | (263) |
| Sales and Use Taxes | 36,000 | 36,000 | 33,039 | (2,961) |
| Fee-In-Lieu | 3,000 | 3,000 | 3,022 | 22 |
| Franchise Taxes | - | - | 16 | 16 |
| Total Taxes | <u>53,600</u> | <u>53,600</u> | <u>51,041</u> | <u>(2,559)</u> |
| Licenses and Permits: | | | | |
| Business Licenses | 500 | 500 | 450 | (50) |
| Dog Licenses | 1,500 | 1,500 | 1,788 | 288 |
| Total Licenses and Permits | <u>2,000</u> | <u>2,000</u> | <u>2,238</u> | <u>238</u> |
| Intergovernmental Revenue: | | | | |
| Class C Roads | 22,300 | 22,300 | 19,223 | (3,077) |
| Federal Grants | 45,000 | 45,000 | - | (45,000) |
| State Liquor Allotment | 560 | 560 | 628 | 68 |
| Total Intergovernmental Revenue | <u>67,860</u> | <u>67,860</u> | <u>19,851</u> | <u>(48,009)</u> |
| Charges for Services: | | | | |
| Cemetery | 600 | 600 | 440 | (160) |
| Landfill | 11,000 | 11,000 | 11,300 | 300 |
| Total Charges for Services | <u>11,600</u> | <u>11,600</u> | <u>11,740</u> | <u>140</u> |
| Miscellaneous Revenue: | | | | |
| Interest | 778 | 778 | 2,648 | 1,870 |
| Impact Fees | 8,608 | 8,608 | 1,392 | (7,216) |
| Rents and Concessions | 200 | 200 | 250 | 50 |
| Miscellaneous | 500 | 500 | 395 | (105) |
| Transfer from Surplus | 21,732 | 21,732 | - | (21,732) |
| Total Miscellaneous Revenue | <u>31,818</u> | <u>31,818</u> | <u>4,685</u> | <u>(27,133)</u> |
| Amounts Available for Appropriation | <u>289,354</u> | <u>289,354</u> | <u>212,031</u> | <u>(77,323)</u> |

**SIGURD TOWN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2005

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts (Budgetary Basis) (See Note A)</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|--|-------------------------|--------------|--|---|
| | <u>Original</u> | <u>Final</u> | | |
| Charges to Appropriations (Outflows): | | | | |
| General Government: | | | | |
| Administration | 42,700 | 42,700 | 29,886 | 12,814 |
| Professional Services | 5,700 | 5,700 | 2,945 | 2,755 |
| Total General Government | 48,400 | 48,400 | 32,831 | 15,569 |
| Public Safety: | | | | |
| Police | 500 | 500 | 628 | (128) |
| Fire | 10,775 | 10,775 | 7,194 | 3,581 |
| Total Public Safety | 11,275 | 11,275 | 7,822 | 3,453 |
| Health and Public Welfare: | | | | |
| Mosquito Abatement | 2,000 | 2,000 | 1,808 | 192 |
| Animal Control | 100 | 100 | 37 | 63 |
| Total Health and Public Welfare | 2,100 | 2,100 | 1,845 | 255 |
| Sanitation | 11,000 | 11,000 | 9,772 | 1,228 |
| Streets and Public Improvements: | | | | |
| Construction and Maintenance | 25,281 | 25,281 | 19,086 | 6,195 |
| Street Lights | 4,400 | 4,400 | 3,955 | 445 |
| Total Streets and Public Improvements | 29,681 | 29,681 | 23,041 | 6,640 |
| Parks, Recreation and Public Property: | | | | |
| Recreation and Beautification | 6,922 | 6,922 | 4,306 | 2,616 |
| Parks and Cemetery | 4,500 | 4,500 | 1,587 | 2,913 |
| Total Parks, Recreation and Public Property | 11,422 | 11,422 | 5,893 | 5,529 |
| Capital Outlay | 53,000 | 53,000 | 6,837 | 46,163 |
| Total Charges to Appropriations | 166,878 | 166,878 | 88,041 | 78,837 |
| Budgetary Fund Balance - June 30, 2005 | 122,476 | 122,476 | 123,990 | 1,514 |

**SIGURD TOWN
NOTE A
BUDGETARY COMPARISON SCHEDULE
BUDGET-TO-GAAP RECONCILIATION**

For The Fiscal Year Ended June 30, 2005

| | <u>General Fund</u> |
|---|-------------------------|
| Sources/Inflows and Resources: | |
| Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedules. | 212,031 |
| Differences - Budget to GAAP: | |
| The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes. | <u>(122,476)</u> |
| Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. | <u><u>89,555</u></u> |
| Uses/Outflows of Resources: | |
| Actual amounts (budgetary Basis "total charges to appropriations" from the budgetary comparison schedules. | 88,041 |
| Differences - Budget to GAAP: | |
| Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes. | <u>-</u> |
| Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds | <u><u>88,041</u></u> |

COMPLIANCE SECTION

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Town Council
Sigurd Town
Sigurd, Utah 84657

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Sigurd Town as and for the year ended June 30, 2005, which collectively comprise Sigurd Town's basic financial statements and have issued our report thereon dated August 9, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

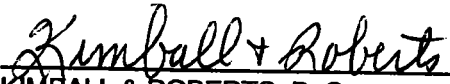
In planning and performing our audit, we considered Sigurd Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sigurd Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Honorable Mayor and Town Council
Sigurd Town
Page -2-

This report is intended solely for the information and use of the audit committee, management, and Town Board and is not intended to be and should not be used by anyone other than these specified parties.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

August 9, 2005
Richfield, Utah

Kimball & Roberts

*Certified Public Accountants
A Professional Corporation*

Box 663
Richfield, Utah 84701
Phone 896-6488

AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Honorable Mayor and Town Council
Sigurd Town
Sigurd, Utah 84657

We have audited the financial statements of Sigurd Town, for the fiscal year ended June 30, 2005, and have issued our report thereon dated August 9, 2005. As part of our audit, we have audited Sigurd Town's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the fiscal year ended June 30, 2005. The Town received the following major State assistance programs from the State of Utah:

- C Road Funds (Department of Transportation)
- Liquor Law Enforcement (State Tax Commission)
- Community Impact Board (Department of Community and Economic Development)

Our audit also included testwork on the Town's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Property Tax
- Other Compliance Requirements

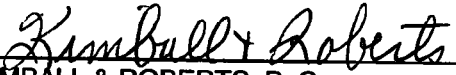
The management of Sigurd Town is responsible for the Town's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

Honorable Mayor and Town Council
Sigurd Town
Page -2-

In our opinion, Sigurd Town, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance programs for the fiscal year ended June 30, 2005.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

August 9, 2005
Richfield, Utah